

BEAVER COUNTY HUMANE SOCIETY

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018 AND 2017



Cypher & Cypher

Accountants | Auditors | Advisors

BEAVER COUNTY HUMANE SOCIETY

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	
STATEMENTS OF FINANCIAL POSITION – 2018 AND 2017	1
STATEMENT OF ACTIVITIES – 2018 AND 2017	2
STATEMENT OF FUNCTIONAL EXPENSES – 2018	3
STATEMENT OF FUNCTIONAL EXPENSES – 2017	4
STATEMENTS OF CASH FLOWS – 2018 AND 2017	5
NOTES TO THE FINANCIAL STATEMENTS	6 – 16



Cypher & Cypher

Accountants | Auditors | Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Beaver County Humane Society

We have audited the accompanying financial statements of Beaver County Humane Society (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beaver County Humane Society as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CYPHER & CYPHER

Cypher & Cypher

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
June 14, 2019

BEAVER COUNTY HUMANE SOCIETY
 STATEMENTS OF FINANCIAL POSITION
 YEAR ENDED DECEMBER 31, 2018 AND 2017

ASSETS	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and cash equivalents	\$ 111,138	\$ 178,843
Accounts receivable	81,962	36,010
Inventory	8,816	15,083
Prepaid expenses	15,940	14,446
Total Current Assets	<u>217,856</u>	<u>244,382</u>
Property and equipment, net of accumulated depreciation of \$697,066	<u>2,850,456</u>	<u>2,901,891</u>
Other Assets:		
Investments	<u>76,909</u>	<u>130,560</u>
Total Other Assets	<u>76,909</u>	<u>130,560</u>
TOTAL ASSETS	<u>\$ 3,145,221</u>	<u>\$ 3,276,833</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 47,935	\$ 57,923
Accrued liabilities	14,140	14,975
Deferred revenue	11,125	4,583
Current portion of noncurrent liabilities	22,576	104,044
Total Current Liabilities	<u>95,776</u>	<u>181,525</u>
Noncurrent Liabilities:		
Loan payable	489,214	511,643
Noncurrent portion of noncurrent liabilities	<u>(22,576)</u>	<u>(104,044)</u>
	466,638	407,599
Net Assets:		
Without Donor Restrictions	2,494,009	2,674,926
With Donor Restrictions	<u>88,798</u>	<u>12,783</u>
Total Net Assets	<u>2,582,807</u>	<u>2,687,709</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,145,221</u>	<u>\$ 3,276,833</u>

The notes to the financial statements are an integral part of this report.

BEAVER COUNTY HUMANE SOCIETY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Operating Revenue and Support:		
Contributions and fundraising	\$ 599,412	\$ 795,362
Grants and foundations	78,887	86,701
Program service fees	337,281	306,897
Sales to public	231,946	242,057
Special events	133,229	160,187
Boroughs and Townships	83,591	74,834
Rental Income	15,959	17,363
Investment Return, net	(4,904)	14,015
Miscellaneous	157	51
Total revenues and gains without donor restrictions	<u>1,475,558</u>	<u>1,697,467</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	29,616	932
Satisfaction of equipment acquisition restrictions	4,649	98,820
Total net assets released from restrictions	<u>34,265</u>	<u>99,752</u>
 TOTAL REVENUES, GAINS, AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS	 <u>1,509,823</u>	 <u>1,797,219</u>
Expenses:		
Animal program services	1,415,706	1,368,427
General and administrative	186,718	192,264
Fundraising	88,315	106,310
Total Expenses	<u>1,690,740</u>	<u>1,667,001</u>
 INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 <u>(180,917)</u>	 <u>130,218</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions and fundraising	38,530	840
Grants and foundations	71,750	9,000
Investment return, net	-	76
Net assets released from restrictions	(34,265)	(99,752)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>76,015</u>	<u>(89,836)</u>
 INCREASE (DECREASE) IN NET ASSETS	 (104,902)	 40,382
Net assets, beginning of year	<u>2,687,709</u>	<u>2,647,327</u>
Net assets, end of year	<u>\$ 2,582,807</u>	<u>\$ 2,687,709</u>

BEAVER COUNTY HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Animal Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 780,321	\$ 34,477	\$ -	\$ 814,798
Benefits	85,171	6,625		91,796
Payroll taxes	66,554	2,920		69,474
Cost of goods sold	21,110			21,110
Equipment and building maintenance	69,334	11,092		80,426
Insurance	42,975	7,765		50,740
Office supplies	42,082	2,705	10,658	55,445
Printing	1,106	1,811	21,873	24,789
Medical & supply expenses	170,153	12,110		182,263
Professional services	16,423	24,110		40,533
Advertising	14	2,318	98	2,430
Dues and subscriptions	2,580	582		3,162
Licenses and permits	711	435		1,146
Outside service fees	6,955	24,020		30,975
Travel & entertainment	9,310	1,519	35	10,864
Real estate taxes	6,143	15,691		21,834
Interest Expense	26,145	644		26,789
Miscellaneous	162	543		705
Fundraising	944	1,101	55,651	57,696
Total expenses before depreciation	<u>1,348,193</u>	<u>150,466</u>	<u>88,315</u>	<u>1,586,975</u>
Depreciation & amortization	67,513	36,252		103,765
Total Expenses	<u>\$ 1,415,706</u>	<u>\$ 186,718</u>	<u>\$ 88,315</u>	<u>\$ 1,690,740</u>

The notes to the financial statements are an integral part of this report.

BEAVER COUNTY HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Animal Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 744,339	\$ 33,557	\$ 1,650	\$ 779,546
Benefits	60,486	5,260		65,746
Payroll taxes	65,104	3,572	168	68,844
Cost of goods sold	32,186			32,186
Equipment and building maintenance	60,137	9,814	750	70,701
Insurance	40,513	7,372		47,885
Office supplies	37,781	4,879	12,226	54,886
Printing	1,552	402	21,995	23,949
Medical & supply expenses	203,915	1,500		205,415
Professional services	25,082	23,075		48,157
Advertising	1,464	3,163		4,627
Dues and subscriptions	1,597	383		1,980
Licenses and permits	75	1,462		1,537
Outside service fees	5,201	19,752	3,472	28,425
Travel & entertainment	7,606	2,342	54	10,002
Real estate taxes	6,300	15,680		21,980
Interest Expense	28,343			28,343
Miscellaneous		925		925
Fundraising	1,262		63,763	65,025
Total expenses before depreciation	<u>1,298,980</u>	<u>154,869</u>	<u>106,310</u>	<u>1,560,159</u>
Depreciation & amortization	69,447	37,395		106,842
Total Expenses	<u>\$ 1,368,427</u>	<u>\$ 192,264</u>	<u>\$ 106,310</u>	<u>\$ 1,667,001</u>

The notes to the financial statements are an integral part of this report.

BEAVER COUNTY HUMANE SOCIETY
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (104,902)	\$ 40,382
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	103,765	106,842
Realized (gain) loss on investments	(15,121)	3,787
Unrealized (gain) loss on investments	20,916	9,193
Changes in operating assets and liabilities:		
Accounts receivable (increase) decrease	(45,952)	1,122
Inventory (increase) decrease	6,267	1,769
Prepaid expense (increase) decrease	(1,494)	(6,731)
Accounts payable increase (decrease)	(9,988)	3,424
Accrued liabilities increase (decrease)	(835)	(508)
Unearned income increase (decrease)	6,542	(2,933)
Net cash provided by operating activities	(40,802)	156,347
Cash flows from investing activities		
Purchase of capital assets	(52,330)	(29,203)
Transfer from investment portfolio	50,000	-
Purchase of investments	(2,144)	(26,294)
Net cash used in investing activities	(4,474)	(55,497)
Cash flows from financing activities		
Principal payments on debt	(22,429)	(98,936)
	(22,429)	(98,936)
Net increase (decrease) in cash	(67,705)	1,914
Cash and cash equivalents, beginning of year	178,843	176,929
Cash and cash equivalents, end of year	\$ 111,138	\$ 178,843
Supplemental disclosure of cash flows information:		
Cash paid for interest	\$ 26,789	\$ 28,343

BEAVER COUNTY HUMANE SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 – NATURE OF ACTIVITIES

The Beaver County Humane Society (Society) is a nonprofit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society is located in Center Township, Pennsylvania, and is dedicated to protecting all domestic animals by providing shelter and care; adoption services; investigation, correction or prosecution of cruelty or abuse situations; education programs; and promotion of the concepts of kindness and respect for all living creatures throughout Beaver County. The Society's support comes primarily from operations, community grants, private foundations, and individual donations.

Shelter and Care

Finding permanent homes for every adoptable animal is the Society's primary focus. Each animal housed is provided nutritious food, water, and safe, secure shelter. All animals are treated with love and respect. Prior to adoption, animals receive necessary tests, de-worming, vaccinations, grooming and sterilization.

Adoptions

A variety of dogs, cats and miscellaneous domestic pets are available to approved homes. Adopters are educated about responsible pet ownership during the adoption transaction.

Cruelty Investigations and Animal Control

The trained, certified and court appointed Humane Society Police Officers investigate, correct or prosecute instances of abuse or neglect. In addition, the Society provides animal control services for twenty one boroughs and townships in the local area.

TLC Fund

This much needed fund was created in 2003 to cover the cost of emergency and necessary veterinary care for stray, abused or abandoned animals. Monies are received from dog owners who are asked to donate an additional \$1 with their annual dog license renewals.

Emergency/Indigent Pet Care

The Society works with the Beaver County Office of Aging to care for the pets of elderly residents receiving emergency care. It also assists in providing suitable shelter for pets of victims of domestic violence and homelessness from the Women's Shelter until their living arrangements can be determined.

Humane Education

Educational programs for schools, youth groups, civic groups and adults are available upon request at no charge. Tours of the shelter provide another educational opportunity for community groups and individuals. These programs promote respect for all life, compassion to all creatures, responsible pet ownership and care, and kindness to all living beings.

Rabies Clinics

To provide for the public health and safety, the Society holds one clinic each month.

Sale of Dog Licenses

The Society assists the County Treasurer with the sale of Pennsylvania state dog licenses each year.

Lost and Found

Residents who have lost beloved pets can report information about their animal to the Society. The information is checked at least twice daily against the current and incoming animal guests in an effort to reunite lost pets with their owners. In addition, those residents finding an animal may place that information into a found log. Animal guests at the shelter are pictured on Petfinder.com giving owners another opportunity to find lost pets.

Euthanasia Service

The Society recognizes a need to provide compassionate, humane euthanasia service for loved pets to owners in need at an affordable price.

Stray or Police Ordered Quarantines

The Society provides facilities for stray or police ordered rabies (bite) quarantines.

Community Service Program

In collaboration with many local high schools and the courts, the Society provides opportunities for high school seniors to complete the volunteer community service hours required for graduation and for residents to complete court-ordered community service hours.

Thrift Store

The Society opened the Beaver County Humane Society Thrift Store located in Beaver Falls in 2004. The donation of gently used items in good condition provides the community with an opportunity to assist the Society in ways other than through adoptions or cash donations. The recycling of used items through the Thrift Store also demonstrates the Society's commitment to the environment by helping to conserve space in local landfills.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Society's financial statements are presented using the accrual basis of accounting. The revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the accrual basis of accounting when the related liability is incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board, Accounting Standard Codification No. 958, Accounting Standards Update Number 2016-14, *Financial Statements of Not-for-Profit Organizations*.

This update is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Society has decided to implement this early during the 2017 year. Under the Update FASB ASC No. 958, the Organization is required to report its financial position and activities according to:

- Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period. That is report amounts for net assets with donor restrictions and net assets without donor restrictions, as well as the amount for total net assets.
- Present on the face of the statement of activities the amount of the change in each of the two classes of net assets, as well as the change in total net assets for the period.
- Gains and losses on investments are recorded net of external and direct internal investment expenses.
- Fulfillment of donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed are reported as net assets released from restrictions.

Presentation

This is the second year ASU 2016-14 is applied, any reclassifications did not materially affect the 2017 classes of net assets presented. Certain accounts in the prior year financial statements may have been reclassified to conform to current year presentation.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Assets

Net assets and revenues and gains are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Society and changes therein are classified and reported as follows:

- Without Donor Restrictions – Used to accumulate all unrestricted and board-designated resources. It represents the part of net assets that is not with donor restrictions.
- With Donor Restrictions – Net Assets that are subject to donor-imposed stipulations that may or will be met either by actions of the Society and/or the passage of time or that are to be maintained in perpetuity. The Society does not have any assets that are required to be maintained in perpetuity.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Accounts and Grants Receivable

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. All receivables are considered fully collectible.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction is satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Income Taxes

The Society is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Society's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2016, 2017, and 2018 may be subject to examination by the IRS, generally for three years after they were filed.

Property and Equipment

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value as determined by management. Property and equipment are depreciated using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Buildings	39
Building and land improvements	7-39
Trucks and automobiles	5-10
Furniture and equipment	5-7
Computer software	3

The Board of Directors has established \$ 1,000 as the threshold amount for capitalization and must have a useful life or more than one year.

Compensated Absences

The policy of the Beaver County Humane Society is that accrued compensated absences must be used within the current period with no carry forward. Therefore, no provision for compensated absences is made in the accompanying financial statements.

Contributions

Contributions received are recorded as with or without donor restriction depending on the existence or nature of any donor restrictions. The Society receives donated pet food and supplies. These items are recorded as revenue during the period received at estimated fair market value.

All items sold at the Thrift Store are donated to the Organization. Donated items are not recorded as contributions in the financial statements, due to the difficulty in determining fair value of these items.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Society, but these services do not meet the criteria for recognition as contributed services.

Inventories

Inventory consist of animal supplies and is priced at the lower of cost (first in, first out) or market.

Subsequent Events

Subsequent events have been evaluated by management through June 14, 2019, which is the date the financial statements were available to be issued.

NOTE 3 –CASH AND INVESTMENTS

Deposits - The Society considers all interest-bearing money market funds, noninterest-bearing accounts and certificates of deposit with maturities of 90 days or less to be cash or cash equivalents. The Society maintains, at financial institutions, cash that may exceed federal amounts at times. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2018, the Organization's deposits are as follows:

	<u>FDIC</u> <u>Insured</u>	<u>Non FDIC</u> <u>Insured</u>	<u>Bank</u> <u>Balance</u>	<u>Carrying</u> <u>Amount</u>
Cash and Deposits	<u>\$ 161,021</u>	<u>\$ 0</u>	<u>\$ 161,021</u>	<u>\$ 111,138</u>

A summary of the Society's investments are as follows:

	<u>2018</u>		
	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Equities	\$ 3,430	\$ 6,445	\$ 3,015
Mutual Funds	68,321	70,464	2,143

	<u>2017</u>		
	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Equities	\$ 5,055	\$ 10,960	\$ 5,905
Mutual Funds	94,706	119,600	24,894

NOTE 4 – FAIR VALUE MEASUREMENTS

Included in the accompanying financial statements are certain financial instruments carried at fair value. The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality. The Society's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based in a hierarchy defined by FASB ASC No. 820, *Fair Value Measurements and Disclosures*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined using methodologies and models with unobservable inputs as follows:

- *Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for term of the instrument.
- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Society's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

At December 31, 2018 and 2017, the following financial assets are measured at fair value on a recurring basis:

2018				
	Level 1	Level 2	Level 3	Total
Equities	\$ 6,445			\$ 6,445
Mutual Funds	70,464			70,464
Total	\$ 76,909			\$ 76,909

2017				
	Level 1	Level 2	Level 3	Total
Equities	\$ 10,960			\$ 10,960
Mutual Funds	119,600			119,600
Total	\$ 130,560			\$ 130,560

NOTE 5 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Society’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets at year-end	\$ 270,009	\$ 345,413
Payment of long-term debt (principal & interest)	(49,283)	(127,278)
Donor restricted assets	(88,798)	(12,783)
Board designated assets	-	(12,000)
	<hr/>	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 131,928</u>	<u>\$ 193,352</u>

As part of the organizations liquidity management, excess cash is invested in a mix of equities and mutual funds.

NOTE 6 – CHANGES IN FIXED ASSETS

	<u>Balance at 12/31/2017</u>	<u>Net Changes</u>	<u>Balance at 12/31/2018</u>
Land	\$ 375,000	\$ -	\$ 375,000
Building	2,778,983	44,441	2,823,424
Furniture/Equipment	152,384	7,889	160,273
Software	25,367	-	25,367
Vehicles	54,972	-	54,972
Pre-Construction Costs	108,486	-	108,486
Total Fixed Assets	3,495,192	52,330	3,547,522
Less: Accumulated Depreciation	<u>(593,301)</u>	<u>(103,765)</u>	<u>(697,066)</u>
Total Net Fixed Assets	<u>\$ 2,901,891</u>	<u>\$ (51,435)</u>	<u>\$ 2,850,456</u>

	<u>Balance at 12/31/2016</u>	<u>Net Changes</u>	<u>Balance at 12/31/2017</u>
Land	\$ 375,000	\$ -	\$ 375,000
Building	2,769,635	9,348	2,778,983
Furniture/Equipment	136,429	15,955	152,384
Software	25,367	-	25,367
Vehicles	51,072	3,900	54,972
Pre-Construction Costs	108,486	-	108,486
Total Fixed Assets	3,465,989	29,203	3,495,192
Less: Accumulated Depreciation	<u>(486,459)</u>	<u>(106,842)</u>	<u>(593,301)</u>
Total Net Fixed Assets	<u>\$ 2,979,530</u>	<u>\$ (77,639)</u>	<u>\$ 2,901,891</u>

Depreciation expense for 2018 and 2017 was \$103,765 and \$106,842 respectively.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTION

The Beaver County Humane Society received \$38,530 in donations and \$71,750 in grants with restrictions in 2018.

In 2017, \$840 in donations, \$76 in investment income, \$9,000 in grants with restrictions. In addition the Board of Directors designated \$12,000 during 2017 for a store front facade program. At December 31, 2018 and 2017 the balance of net assets with donor restriction is \$88,798 and \$12,783.

Restriction of Use for	Balance at December 31, 2017	Restricted Donations Received	Restricted Investment Income	Released from Restrictions	Balance at December 31, 2018
Adoptions	\$ 7,839	\$ 34,111	\$ -	\$ (22,250)	\$ 19,700
Adoptions - Sr. to Sr.	-	22,000	-	-	22,000
Jail Program	378	-	-	(378)	-
TNR Program	1,566	-	-	-	1,566
Pet Finder	3,000	-	-	(3,000)	-
Animal Enrichment	-	8,443	-	-	8,443
Canine Enrichment	-	32,500	-	-	32,500
Supplies	-	1,000	-	(1,000)	-
TLC	-	143	-	(143)	-
Equipment	-	9,215	-	(7,494)	1,721
Thrift Store Sign	-	2,868	-	-	2,868
	<u>\$ 12,783</u>	<u>\$ 110,280</u>	<u>\$ -</u>	<u>\$ (34,265)</u>	<u>\$ 88,798</u>

Restriction of Use for	Balance at December 31, 2016	Restricted Donations Received	Restricted Investment Income	Released from Restrictions	Balance at December 31, 2017
Capital Campaign	\$ 91,863	\$ 250	\$ 76	\$ (92,189)	\$ -
Adoptions	6,000	9,170	-	(7,331)	7,839
Jail Program	200	410	-	(232)	378
TNR Program	1,556	10	-	-	1,566
Pet Finder	3,000	-	-	-	3,000
	<u>\$ 102,619</u>	<u>\$ 9,840</u>	<u>\$ 76</u>	<u>\$ (99,752)</u>	<u>\$ 12,783</u>

NOTE 8 – CAPITAL CAMPAIGN

In 2007, the Board of Directors of the Society had approved a five year capital campaign which concluded at the end of the 2012 year. The capital campaign funds were used to purchase a 7.5 acre parcel of land on Brodhead Road in Center Township and to construct a state-of-the-art shelter. The new shelter construction was completed in 2013.

Currently, the capital campaign will accept one-time donations, estate or bequests, or multi-year pledges from donors to be used for building improvements, land improvements and equipment purchases.

The capital campaign fundraising contributions for 2018 and 2017 total \$-0- and \$250 and related operating expenses total \$-0- for 2018 and 2017. The related capital expenses total \$-0- for 2018 and \$98,820 for 2017.

NOTE 9 – GENERAL LONG-TERM DEBT

Changes in the Society's long-term obligations during fiscal year December 31, 2018 were as follows:

	Balance at 12/31/2017	Additions	Reductions	Balance at 12/31/2018	Due Within One Year
Bonds, loans & leases payable:					
Mortgage Loan Payable	\$ 511,643	\$ -	\$ (511,643)	\$ -	\$ -
Refinanced Mortgage Loan	\$ -	\$ 500,000	\$ (10,786)	\$ 489,214	\$ 22,576
	<u>\$ 511,643</u>	<u>\$ 500,000</u>	<u>\$ (522,429)</u>	<u>\$ 489,214</u>	<u>\$ 22,576</u>

During 2011, the Society entered into a secured commercial loan agreement with WesBanco (formerly ESB Bank) in the original principal amount of \$1,000,000 for construction of the new shelter, monthly payment of \$10,606, payable over 120 months at 5% fixed rate interest. This note payable was refinanced on June 8, 2018 with Nextier Bank.

On June 8, 2018, debt relating to the construction of the new shelter was refinanced with terms of \$500,000, payable over 120 months through Nextier Bank. A monthly payment of \$4,107, payable over 60 months at 5.5% interest rate. Subsequent to July 8, 2023, the interest rate will be adjusted to the five year federal home loan bank of Pittsburgh lending rate (the index) plus a margin of 3 percentage points.

The outstanding balance as of December 31, 2018 and 2017 is \$489,214 and \$511,643. The amount of interest paid during 2018 and 2017 was \$26,789 and \$28,343.

The amount needed to amortize the secured commercial loan outstanding as of December 31, 2018 is as follows:

	Principal	Interest	Total
2019	22,576	26,708	49,284
2020	23,794	25,490	49,284
2021	25,229	24,055	49,284
2022	26,672	22,611	49,283
2023	27,805	22,081	49,886
2024-2028	164,928	81,518	246,446
2029-2033	198,210	29,082	227,292
Total	<u>\$ 489,214</u>	<u>\$ 231,545</u>	<u>\$ 720,759</u>

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Public support is a significant component of revenues that is used to maintain current operations and maintaining the adoption center.

NOTE 11 – RISK MANAGEMENT AND LITIGATION

The Society is exposed to various risks of loss related to, theft of, damage to, and destruction of assets; errors and omissions; injuries to service providers; and natural disasters. The Society purchases commercial insurance for claims in excess of coverage provided by the funds and for other risks of loss.

The Society is exposed to market risk on the amount invested in marketable securities. The maximum amount of loss the Society would incur is limited to the investment amounts recorded in the 2018 financial statements. This exposure to market risk is customary for all entities which have investments in financial instruments.

The Society is not involved in any claims or litigation as a result of operations in 2018. Management, in consultation with legal counsel, does not believe the amount of potential claims will materially affect the financial position of the Society as of December 31, 2018.

NOTE 12 – THRIFT STORE

The Society operates a second-hand store that accepts donations of gently used items to be resold. This provides the Society another source of consistent revenue support for the operations of the shelter. The Thrift Store's 2018 and 2017 operations resulted in as follows:

	<u>2018</u>	<u>2017</u>
Operating Revenue	\$ 263,905	\$ 244,528
Operating Expense	184,855	156,660
Capital Purchases	-	-
	<hr/>	<hr/>
Operating Profit/(Loss)	<u>\$ 79,050</u>	<u>\$ 87,868</u>